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July 2, 2015

Chairman Susan Bitter Smith
Commissioner Bob Stump
Commissioner Robert L. Burns
Commissioner Doug Little
Commissioner Tom Forese

**Re: In the Matter of Resource Planning and Procurement in 2015 and 2016
Docket No. E-00000V-15-0094**

Tucson Electric Power Company ("TEP") and UNS Electric, Inc. ("UNS Electric") (jointly "Companies"), hereby submit: (i) their joint response to Commissioner Little's June 16, 2015 letter and (ii) their joint response to Commissioner Burn's June 19, 2015 letter.

I. RESPONSE TO COMMISSIONER LITTLE'S LETTER

The Companies support Commissioner Little's suggestion to extend the deadline for the next Integrated Resource Plan filing to April 1, 2017. The EPA is expected to release its final Clean Power Plan¹ (CPP) rule in August 2015². Immediately following release of the final rule, the Arizona Department of Environmental Quality (ADEQ) will intensify its existing stakeholder process to inform its preparation of a state plan, which must be submitted to the Environmental Protection Agency (EPA) within thirteen months of the final rule³ (presumably end of August 2016). The utilities in Arizona will be an integral part of the process, serving on ADEQ's Technical Work Group as well as participating in ADEQ's broader stakeholder engagement. The Companies' resource planning group will notably ramp up their efforts to work with the other stakeholders to assist ADEQ in drafting the Arizona state plan.

¹ EPA's Proposed Rule: Carbon Pollution Emission Guidelines for Existing Stationary Source: Electric Utility Generating Units (79 FR 34830) was issued on June 18, 2014.

² EPA's proposed rule identified June 1, 2015 as the date EPA expected to finalize the rule. EPA's Spring 2015 semi-annual Regulatory Agenda Update lists August 2015 for anticipated release of the final rule.

³ EPA's proposed rule calls for state plans to be submitted within thirteen months of the final rule (2016), with a provision that the state could seek an additional year (to 2017) for certain components of the

The state plan that must be developed in response to the EPA's final rule will be an extremely complex undertaking, likely the most complex plan that ADEQ has had to develop to date. There are a number of threshold questions that must be thoroughly explored and answered before any detailed planning can take place, such as: Will compliance be based on a rate (lbs/MWh) or mass (tons) metric? Will the state plan incorporate - or at least accommodate - coordination with other jurisdictions (States, Tribal Jurisdictions)? Where will the compliance obligation be placed (generating unit, plant, utility, state)?

In order to provide meaningful input to ADEQ on the impact on the Companies of each of these, and possibly other, threshold questions, the Companies will need to model and otherwise analyze the impact of these approaches on our systems. This will undoubtedly take many months and require significant resources.

While ADEQ is working through these issues, neighboring states will be going through the same process. Since the electricity grid is operated across state boundaries, each neighboring states' decisions on these threshold questions will also have an impact on the Companies and the overall plan for Arizona⁴. Therefore, as states move through this process, there will likely be several recalibrations based on new and evolving paths that neighboring states take. This will likely take well into 2016, at which point the detailed planning can commence.

For these reasons, and as Commissioner Little points out, an IRP submitted on April 1, 2016 would include premature assumptions and would not incorporate a definitive CPP result. Therefore, a one year extension for filing an IRP in accordance with R14-2-703 is warranted. It warrants noting that even an IRP filed in April 2017 may be premature. Such a filing would likely incorporate provisions of the state plan as submitted to the EPA. However, the state plan is not final until EPA approves it, which will not occur until mid-

plan. Furthermore, if a state plan includes a multi-state approach, it could be granted an additional year (to 2018) to submit a complete plan. [79 FR 34838, 34915]

⁴ There is a general consensus that neighboring states, each adopting a mass-based approach, could incorporate interstate provisions for cooperation (e.g. credit trading, etc.), while there is uncertainty that a state with a mass-based approach could cooperate with a state that chooses a rate-based approach.

2017 (or later if the state plan incorporates a regional approach). If EPA were to disapprove or partially disapprove of the state plan, for which there is recent precedent⁵, the state plan would need to be revised, and the IRP which was based on the disapproved state plan could be deemed irrelevant. The Companies believe that the Commission should be open to additional extensions, depending on the likelihood of state plan approval by EPA.

Other parties may submit commentary that suggests the Load Serving Entities subject to the IRP rules might still provide, at a minimum, an update to the IRP on April 1, 2016. As described above, the Companies' resource planning personnel expect to be fully utilized in their efforts responding to the CPP and participating in the ADEQ stakeholder process. Additional reporting requirements would provide little, if any, benefit, tax already limited resources and duplicate work already being performed through the ADEQ stakeholder process. The Companies support an extension to the 2016 IRP deadline, and request that the applicable ordering paragraphs in Decision No. 75068 be included in that extension accordingly. The Companies would like to specifically point out the requirement in Decision No. 75068 to re-examine and report load forecasting techniques. To remain consistent with the one year deferral, the Companies asks that this requirement also be deferred to October 31, 2016.

⁵ EPA issued a partial disapprovals of Arizona's state implementation plans for regional haze; Phase I [77 FR 72512] dated December 5, 2012; and Phase II [77 FR 46142] dated July 30, 2013.

II. RESPONSE TO COMMISSIONER BURNS'S LETTER.

The Companies agree with Commissioner Burns that more lead time in the IRP process could result in more thorough and comprehensive resource plans for the Commission to consider. The Companies' specific comments to a one-year extension are detailed above in its response to Commissioner Little's letter. Commissioner Burns has asked to receive comments on extending the current IRP planning cycle by one year (from every two years to every three years) and whether the Commission should consider the IRPs every three years (in lieu of the current two-year cycle). The Companies are open to extending the IRP reporting cycle to three-years. However, the Companies suggest that any proposed change to the reporting cycle be considered separately from the current IRP filing date extension discussed above. Modifying the IRP filing frequency may require a rulemaking, while an extension of the current filing deadline is clearly within the Commissioners' authority without any rulemaking. The Companies caution against a major rulemaking effort at this time, as such an effort would require significant resources, and as described above, those resources should be dedicated to the Clean Power Plan analysis.

Please feel free to contact me with further questions.

Sincerely,



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cc: Docket Control (original and 13 copies)